Management's Discussion and Analysis of Financial Condition and Results of Operations of

UNIQUE BROADBAND SYSTEMS, INC.

Three and six months ended February 28, 2014 and 2013

April 23, 2014

1. INTRODUCTION

This management's discussion and analysis ("MD&A") of financial condition and result of operations of Unique Broadband Systems, Inc. ("UBS" or "the Company") is supplementary to, and should be read in conjunction with, the Company's unaudited condensed consolidated interim financial statements for the three and six months ended February 28, 2014 and 2013.

The Company's unaudited condensed consolidated interim financial statements and the notes thereto have been prepared on the basis of accounting principles applicable to a going concern. This assumes that the Company will operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities, other than in the normal course of business and at amounts different from those in the financial statements.

Unless specifically stated, the references to "UBS" or "the Company" include the legal entity Unique Broadband Systems, Inc. and its wholly-owned subsidiary, UBS Wireless Services Inc. ("UBS Wireless").

2. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective under International Financial Reporting Standards ("IFRS"), and determined that the following may have an impact on the Company:

IFRS 9, *"Financial instruments"* ("IFRS 9"), as issued, reflects the first phase of the IASB's work on the replacement of IAS 39, "Financial instruments: Recognition and measurement" (IAS 39) and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after January 1, 2013, but "Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures", issued in December 2011, moved the mandatory effective date to January 1, 2015. Other phases of the project address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

3. CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This MD&A includes forward-looking statements and information concerning expected future events, the future performance of the Company, its operations, and its financial performance and condition. These forward-looking statements and information include, among others, statements with respect to the Company's objectives and strategies to achieve those objectives, as well as statements with respect to its beliefs, plans, expectations, anticipations, estimates, and intentions. When used in this MD&A, the words "believe", "anticipate", "may", "should", "intend", "estimate", "expect", "project", and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such words.

These forward-looking statements and information are based on current expectations. The Company cautions that all forward-looking statements and information are inherently uncertain and actual future results, conditions, actions or events may differ materially from the targets, assumptions, estimates, or expectations reflected or contained in the forward-looking statements and information, and that actual future results, conditions, actions, events, or performance will be affected by a number of factors including economic conditions and competitive factors, many of which are beyond the Company's control.

New risks and uncertainties arise from time to time, and it is impossible for the Company to predict these events or the effect that they may have on the Company. Certain statements in this MD&A, other than statements of historical fact, may include forward-looking information that involves various risks and uncertainties. This may include, without limitation, statements based on current expectations involving a number of risks and uncertainties. These risks and uncertainties include, but are not restricted to: (i) tax-related matters, (ii) financial risk related to short-term investments (including credit risks and reductions in interest rates), (iii) human resources developments, (iv) business integrations and internal reorganizations, (v) process risks, (vi) health, safety, and environmental developments, (vii) the outcome of litigation and legal matters, (viii) any prospective acquisitions or divestitures, (ix) other risk factors related to the Company's historic business, and (x) risk factors related to the Company's future operations.

More specifically, UBS faces risks and uncertainties in connection with the ongoing litigation described under the section entitled "Provisions and contingencies - Contingencies". In particular, there can be no assurance that UBS will not be found liable for payments to certain parties in the course of this litigation nor can there be any assurance that UBS will be able to recover any of the amounts sought in its counterclaims. An award of damages against UBS and the ongoing costs of this litigation could, independently or collectively, have a material adverse effect on the financial condition and solvency of UBS.

For a more detailed discussion of factors that may affect actual results or cause actual results to differ materially from any conclusion, forecast or projection in these forward-looking statements and information, see the sections entitled "Overview – Significant current events" and "Provisions and contingencies" below.

Therefore, future events and results may vary significantly from what the Company currently foresees. Readers are cautioned that the forward-looking statements and information made by the Company in this MD&A are stated as of the date of this MD&A, are subject to change after that date, are provided for the purposes of this MD&A and may not be appropriate for other purposes. We are under no obligation to update or alter the forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by National Instrument 51-102, and we expressly disclaim any other such obligation.

4. OVERVIEW

Significant current events

(a) CCAA proceedings

On July 5, 2011, UBS announced that it and UBS Wireless had commenced proceedings under the *Companies' Creditors Arrangement Act* (the "CCAA"). The court has made an order staying all proceedings against UBS and its directors until May 9, 2014, and Duff & Phelps Canada Limited (the "Monitor") has been appointed as the Monitor of UBS. Further information with respect to the CCAA proceedings can be found on the Monitor's website at www.duffandphelps.com.

(b) Appeal and cross-appeal of Madam Justice Mesbur Decision

On May 21, 2013 the Honourable Madam Justice Mesbur of the Ontario Superior Court of Justice released Reasons for Decision (the "Mesbur Decision") in respect of three proofs of claim totaling approximately $9,500 (the "Jolian Claims"), submitted by Jolian Investments Limited and Mr. Gerald McGoey (together the "Jolian Parties"), against UBS in the CCAA claims proceedings.

Justice Mesbur found that the former UBS board, including McGoey, failed to consider the interests of shareholders and breached their fiduciary duties. Based on these findings, Her Honour disallowed the Jolian Parties' claims for: (1) payment in respect of the cancellation of the Company's share appreciation rights plan; (2) payment of a deferred bonus; and (3) indemnification. She ordered that the Jolian Parties repay all monies previously advanced to them in the nature of indemnification.

Notwithstanding her findings of wrongdoing on the part of the Jolian Parties, including breach of fiduciary duty, Justice Mesbur also found that Jolian was entitled to "enhanced severance", pursuant to its services agreement with UBS. Jolian has since filed a revised proof of claim indicating this to be in excess of $4,000. The Company estimates this amount to be approximately $2,853 (exclusive of costs and interest, if any, which have yet to be determined).

Pursuant to a hearing held on October 31, 2013, UBS was granted leave to appeal the Judgment of the Honourable Madam Justice Mesbur, in which she found that, pursuant to its services agreement with UBS, Jolian was entitled to an enhanced severance as a result of the termination of its contract with UBS.

The Jolian Parties subsequently brought a cross-appeal as to decisions of the Honourable Madam Justice Mesbur.

The appeal and cross-appeal are scheduled to be heard on October 15, 2014. This hearing will ultimately determine the validity and quantum of the Jolian Parties claims (refer to the section entitled "Provisions and contingencies – Contingencies – Jolian claims").

The Company

Unique Broadband Systems, Inc. is a publicly listed Canadian company, trading on the TSX Venture Exchange under the symbol UBS.

On July 6, 2011, UBS received notice from the TSX Venture Exchange (the “Exchange”) that, in accordance with its Continued Listing Requirements outlined in Exchange Policy 2.5, UBS no longer meets the tests related to having a significant interest in a business or primary asset used to carry on business. Effective July 7, 2011, the Exchange issued a bulletin reclassifying UBS to Tier 2 and subsequently placed the Corporation on notice to transfer to NEX, subject to the Company making a submission that it meets all Tier 2 Continued Listing Requirements, which the Exchange has now indicated must be received by June 26, 2014.

The UBS head office is located in Toronto, Ontario and currently has one employee.

On July 13, 2012, the court made an order which postponed the requirement of UBS to hold shareholder meetings until the completion of the CCAA proceeding.

Going concern

The going concern basis of presentation assumes that UBS will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is significant doubt about UBS’ use of the going concern assumption because, as at February 28, 2014, UBS has a working capital deficiency of $2,103 (August 31, 2013 - $1,641). Furthermore, there is uncertainty regarding the outcome of certain litigation (refer to the section entitled “Provisions and contingencies”). UBS will need to raise cash and/or monetize assets, and/or reduce its outstanding commitments in order to meet the needs of its existing operations and commitments, giving rise to doubt UBS’ use of the going concern assumption.

Notwithstanding the above, the Company’s unaudited condensed consolidated interim financial statements for the three and six months ended February 28, 2014 and 2013 have been prepared on a going concern basis and do not include any adjustments to the carrying values and classifications of assets and liabilities and reported revenue and expenses that would be necessary if the going concern basis was not appropriate. Such adjustments could be material.

Strategy

UBS’ operating strategy is to advance the CCAA claims process as expeditiously as possible, preserve its cash, and monitor its investment in ONEnergy Inc. (“ONEnergy”).

Investment in ONEnergy

(a) Carrying value of ONEnergy

As at August 31, 2012, the Company held 24,864 multiple voting shares and 29,921 subordinate voting shares, or a 39.2% economic interest and a 37.6% voting interest in ONEnergy and accounted for its investment using the equity method of accounting.

On February 19, 2013, UBS sold 12,430 multiple voting shares and 14,630 subordinate voting shares of ONEnergy for $0.14 per share, or $3,788, generating a gain of $447 and reducing its fully diluted equity interest in ONEnergy to 18.8%. Pursuant to the sale of shares, management concluded that the Company no longer had significant influence over ONEnergy and now accounts for its investment using the fair value method. This asset is classified as Available For Sale ("AFS").

On July 9, 2013, ONEnergy completed a change-of-business transaction and concurrent private placement, which further reduced the Company's holdings in ONEnergy to a 13.1% economic interest and a 12.4% voting interest.

The Company's share of ONEnergy's market capitalization, based on the bid prices of its 12,434 multiple voting shares (TSXV: OEG) and 15,291 subordinate voting shares (TSXV: OEG.A), as at February 28, 2014, of $0.08 and $0.08 respectively, was $2,218 (August 31, 2013 - $0.10 and $0.10 respectively - $2,773).

The Company's carrying value of its investment in ONEnergy is summarized as follows:

Investment in ONEnergy as at August 31, 2012	$ 7,011
Cumulative equity interest in ONEnergy's losses:	
September 1, 2012 to February 28, 2013	(122)
December 1, 2012 to February 19, 2013	(123)
Partial disposition of ONEnergy shares	(3,341)
Fair value adjustment in ONEnergy, February 19, 2013	(652)
Investment in ONEnergy as at August 31, 2013	**$ 2,773**
Fair value adjustment in ONEnergy, first quarter fiscal 2014	277
Fair value adjustment in ONEnergy, second quarter fiscal 2014	(832)
Investment in ONEnergy as at February 28, 2014	**$ 2,218**

(b) ONEnergy's Statement of Claim in connection with the payment of restructuring awards

<u>Claim seeking recovery of damages from former officers and directors</u>

On July 6, 2011, ONEnergy issued a Statement of Claim (the "Claim") in the Ontario Superior Court of Justice (the "Court") against certain former directors and certain former officers of ONEnergy in connection with the payment of approximately $20,000 of "restructuring awards" paid in 2009 (the "Sale Awards"), of which approximately $15,700 was paid to the directors and senior officers named in the Claim (or their personal holding companies, as applicable) from the net proceeds of approximately $64,000 realized by ONEnergy on the sale of its spectrum licence in 2009. The former officers and directors named in the Claim collectively resigned effective July 21, 2010.

Applications for advances

The former officers and directors named in the Claim brought applications and motions seeking further advances of their legal fees and expenses from ONEnergy in order to defend themselves against the Claim. On September 28, 2012, the Court dismissed these proceedings, except with respect to Mr. Dolgonos. The Court required ONEnergy to pay advances to Mr. Dolgonos only, because the Court did not accept that ONEnergy had sufficient evidence at that time to demonstrate that Mr. Dolgonos was an officer or that he participated in the decisions to make the payments that the Claim seeks to recover. The defendants, except Mr. Dolgonos, appealed to the Ontario Court of Appeal. Their appeals were dismissed on July 4, 2013. They were required to pay $58 to ONEnergy toward the costs of the appeal, which amounts were paid. The defendants Mr. Cytrynbaum, First Fiscal Management Ltd., Mr. McGoey and Jolian Investments Limited sought leave to appeal to the Supreme Court of Canada. On February 13, 2014 the Supreme Court of Canada denied leave to appeal, bringing the proceedings for further advances to an end.

Status of the Claim

The defendants delivered Statements of Defense in the spring of 2013. The defendants, other than Mr. Dolgonos and DOL Technologies Inc., also issued Third Party Claims against Stikeman Elliott LLP and one of its lawyers (collectively, “Stikeman Elliott”). Stikeman Elliott delivered Statements of Defense to the third party claims. The parties exchanged Affidavits of Documents in late 2013 and early 2014. Examinations for discovery began in February 2014 and will conclude in April 2014. The Court has directed the parties to be prepared for a trial in 2014.

Claim against McMillan LLP

ONEnergy also issued a Statement of Claim against McMillan LLP on August 20, 2012 (the “McMillan Claim”). The McMillan Claim seeks recovery of the advances paid in June of 2010 in the amount of $1,550, which were paid to McMillan LLP and other law firms before the former directors and officers resigned on July 21, 2010. ONEnergy expects to receive a defense from McMillan LLP and to proceed with examinations for discovery during the spring and summer of 2014.

5. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements for the three and six months ended February 28, 2014 and 2013 include the accounts of UBS’ wholly owned subsidiary, UBS Wireless. All significant intercompany balances and transactions have been eliminated upon consolidation.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Management’s discussion and analysis of operating results and financial condition are made with reference to the Company’s unaudited condensed consolidated interim financial statements and notes thereto for the three and six months ended February 28, 2014 and 2013, which have been prepared in accordance with IFRS. The Company’s significant accounting policies are summarized in detail in note 2 of the Company’s consolidated annual financial statements for the year ended August 31, 2013.

7. RESULTS OF OPERATIONS

Highlights of the results for the three months ended February 28, 2014 include the following:

- UBS recorded a loss before comprehensive loss of $228, compared to a loss before comprehensive loss of $1,128 for the comparative quarter of fiscal 2013. The variance resulted from, among other things, lower costs associated with the advancement of the CCAA process.
- Fair value of ONEnergy shares currently held by UBS decreased by $832 to $2,218, due to a decrease in ONEnergy's bid prices as at February 28, 2014 to $0.08 and $0.08 per multiple voting share and subordinate voting share respectively, compared to the respective bid prices as at August 31, 2013 of $0.10 and $0.10.
- As at February 28, 2014, UBS held cash and short-term investments totaling $2,213, compared to cash of $2,869 as at August 31, 2013. The decrease was due primarily to the settlement of accounts payable.

Operating expenses

	Three months ended February 28,		Six months ended February 28,	
	2014	2013	**2014**	2013
Compensation	**$ 43**	$ 66	**$ 85**	$ 128
General and administrative	**188**	1,369	**384**	1,972
Restructuring charges	**4**	19	**8**	37
Total operating expenses	**$ 235**	$ 1,454	**$ 477**	$ 2,137

Compensation

Compensation expense includes wages, salaries, benefits, and termination payments.

During the three and six months ended February 28, 2014, the Company expensed $43 and $85 respectively in compensation (February 28, 2013 - $66 and $128 respectively). The decrease was due mainly to the reduction of staffing to one employee.

General and administrative

General and administrative expenses include costs associated with the CCAA claims process, professional fees, board of director fees, general occupancy and other administrative overheads for the Company. A summary of the key components of general and administrative expenses is set out below:

	Three months ended February 28,		Six months ended February 28,	
	2014	2013	**2014**	2013
CCAA expenses	**$ 124**	$ 1,297	**$ 242**	$ 1,793
General corporate advice	**-**	16	**-**	16
Recovery of legal expenses from insurance provider	**(27)**	-	**(27)**	-
Professional fees	**80**	47	**151**	144
Office and general	**11**	9	**18**	19
Total general and administrative expenses	**$ 188**	$ 1,369	**$ 384**	$ 1,972

CCAA expenses

CCAA expenses mainly include the fees of the Monitor and its corporate legal counsel, the Company's CCAA legal counsel, and costs arising from the CCAA claims process.

During the three and six months ended February 28, 2014, CCAA expenses decreased by $1,173 or 90.4%, and $1,551 or 86.5% respectively, mainly due to the timing of the CCAA claims advancement, and specifically costs arising from the trial between UBS and the Jolian Parties which was completed on March 1, 2013. Refer to the sections entitled "Overview – Appeal and cross-appeal of Madam Justice Mesbur Decision" and "Provisions and contingencies – Contingencies – Jolian claims".

Recovery of legal expenses from insurance provider

During the quarter ended February 28, 2014, the Company recovered $27 from its insurance provider, in connection with costs arising from defending the claims brought by DOL, and continues to seek further recovery from its insurance provider (refer to the section "Provisions and contingencies – Contingencies - DOL Parties claims").

Professional fees

Professional fees include mainly corporate legal, audit, accounting, filing fees, and insurance. On July 13, 2012, the court made an order which postponed the requirement of UBS to hold shareholder meetings until the completion of the CCAA proceeding.

During the six months ended February 28, 2014, professional fees totaling $151 increased by $7 or 4.9% over the $144 incurred during the second quarter of 2013.

Restructuring charges

Restructuring charges includes adjustments and accrued interest on the accrued restructuring awards approved by the then directors in 2009, and enhanced severance accruals.

During the three and six months ended February 28, 2014, UBS expensed $4 and $8 in accrued interest on the awards due to related parties respectively (February 28, 2013 - $19 and $37 respectively).

Interest and financing charges

For the three and six months ended February 28, 2014, interest income of $7 and $15 respectively was recognized (February 28, 2013 – $2 and $5 respectively).

Income taxes

As at February 28, 2014, UBS had $24,120 in non-capital income tax losses with expiry dates between 2014 and 2033, SRED pool carryforwards of $11,545, capital loss carryforwards of $23,400, and non-tax deductible reserves of $4,311.

Loss and comprehensive loss

The loss before comprehensive loss for the three and six months ended February 28, 2014 amounted to $228 and $462, or $0.002 and $0.004 per share (basic and diluted) respectively, and the loss and comprehensive loss totaled $1,060 and $1,017, or $0.010 and $0.010 per share (basic and diluted) respectively.

The comparative loss before comprehensive loss for the three and six months ended February 28, 2013 amounted to $1,128 and $1,930, or $0.011 and $0.019 per share (basic and diluted) respectively, and the loss and comprehensive loss totaled $1,780 and $2,582, or $0.017 and $0.025 per share (basic and diluted) respectively,

8. QUARTERLY FINANCIAL RESULTS

The table below sets out financial information for the past eight quarters:

	Fiscal 2014		Fiscal 2013				Fiscal 2012	
	Feb 28	Nov 30	Aug 31	May 31	Feb 28	Nov 30	Aug 31	May 31
Revenue[1]	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 377
Operating and restructuring charges/(recovery) before interest, equity interest in ONEnergy's losses, and gain on sale of ONEnergy shares	235	242	338	797	1,454	683	(717)	734
Interest income/(loss)	7	8	9	10	2	3	(1)	6
Equity interest in ONEnergy's losses	-	-	-	-	(123)	(122)	(535)	(423)
Gain on sale of ONEnergy shares[2]	-	-	-	-	447	-	-	-
Income/(loss) before comprehensive income (loss)	(228)	(234)	(329)	(787)	(1,128)	(802)	181	(774)
Fair value adjustment in ONEnergy[2]	(832)	277	-	-	(652)	-	-	-
Income/(loss) and comprehensive income/(loss) for the period	$(1,060)	$ 43	$ (329)	$ (787)	$ (1,780)	$ (802)	$ 181	$ (774)
Income (loss) per share from operations – basic and diluted	$(0.002)	$(0.002)	$(0.003)	$(0.008)	$(0.011)	$(0.008)	$0.001	$(0.007)
Comprehensive income (loss) per share – basic and diluted	$(0.008)	$ 0.002	-	-	$(0.006)	-	-	-
Income (loss) per share Basic and diluted	$(0.010)	-	$(0.003)	$(0.008)	$(0.017)	$(0.008)	$0.001	$(0.007)

(1) Revenue includes earnings pursuant to the ONEnergy Management Services Agreement which expired on May 19, 2012.

(2) On February 19, 2013, UBS sold 12,430 multiple voting shares and 14,630 subordinate voting shares in ONEnergy for $0.14 per share and, effective February 20, 2013, accounts for ONEnergy using the fair value method.

9. LIQUIDITY AND CAPITAL RESOURCES

UBS held cash and short-term investments of $2,213 as at February 28, 2014, compared to cash and cash equivalents of $2,869 as at August 31, 2013. Cash and cash equivalents, totaling $1,912 (August 31, 2013 - $2,869) consist of all bank balances and, from time to time, highly liquid short-term guaranteed investment certificates and bankers' acceptances with original maturities of less than 90 days. Short-term investments, totaling $301 (August 31, 2013 - $nil), include 30-day cashable guaranteed investment certificates ("GIC") with original maturities of less than 365 days. The GIC certificate currently bears interest at an interest rate of 1.25% and is fully redeemable at any time by the Company, at its discretion.

Cash used in operating activities for the three and six months ended February 28, 2014 was $444 and $656 respectively, compared to $601 and $886 for the three and six months ended February 28, 2013 respectively. The decrease during fiscal 2014 was due primarily to lower costs associated with the advancement of the CCAA claims process and the settlement of accounts payable and accrued liabilities.

There were no financing activities for the three and six months ended February 28, 2014 or 2013.

Cash used in investing activities totaled $301 for the six months ended February 28, 2014, due to the purchase of a GIC during the first quarter of fiscal 2014. The certificate currently bears interest at an interest rate of 1.25% and is fully redeemable at any time by the Company, at its discretion. Cash provided by investing activities totaled $3,788 for both the three and six month periods ended February 28, 2013, due to the sale of ONEnergy shares (refer to the section entitled "Investment in ONEnergy – Carrying value in ONEnergy").

UBS has incurred operating losses and negative cash flows from operations in recent years and, as at February 28, 2014, UBS had a working capital deficiency of $2,103 (August 31, 2013 - $1,641). Furthermore, there is uncertainty regarding the outcome of certain recent litigation (refer to the section entitled "Provisions and contingencies - Contingencies"). UBS will need to raise cash and/or reduce its outstanding commitments in order to meet the needs of its existing operations and commitments, giving rise to doubt about UBS' use of the going concern assumption (refer to the section entitled "Overview – The company – Going concern").

UBS' approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its current liabilities when due.

10. SHARE CAPITAL

As at February 28, 2014 and August 31, 2013, UBS had 102,748 common shares and no Class-A non-voting shares issued and outstanding.

In determining diluted loss per share for the three and six months ended February 28, 2014 and 2013, the weighted average number of shares outstanding was not increased for stock options outstanding as no options were in the money.

As at April 23, 2014, there were no changes to the number of issued and outstanding shares.

11. STOCK BASED COMPENSATION

During the six months ended February 28, 2014, no stock options were granted and 200 stock options expired. During the year ended August 31, 2013 – no stock options were granted and 1,086 stock options expired. As at February 28, 2014, there were 6,000 stock options outstanding (August 31, 2013 - 6,200 stock options outstanding).

12. RELATED PARTY TRANSACTIONS

(a) Accrued restructuring liabilities due to related parties

UBS recorded related party transactions as follows:

	Accrued restructuring liabilities due to related parties						
	Balance as at August 31, 2012	Interest accrued fiscal 2013[4]	Awards and interest reversed fiscal 2013	Jolian enhanced settlement accrual 2013	Balance as at August 31, 2013	Interest accrued fiscal 2014[4]	Balance as at February 28, 2014
Jolian Parties[1]	$ 1,957	$ 42	$ (1,999)	$ 2,853	$ 2,853	$ -	$ 2,853
Dolgonos Parties[2]	500	-	-	-	500	-	500
D. Reeson[3]	505	16	-	-	521	8	529
Total	**$ 2,962**	**$ 58**	**$ (1,999)**	**$ 2,853**	**$ 3,874**	**$ 8**	**$ 3,882**

(1) Refer to the section entitled “Overview – Appeal and cross-appeal of Madam Justice Mesbur Decision”.

(2) Refer to the section entitled “Provisions and contingencies – Contingencies – Jolian Parties claims”.

(3) This amount was approved in 2009 by the then directors and is currently the subject of dispute in the CCAA claims proceedings (refer to the section entitled “Provisions and contingencies – Contingencies – Reeson claim”).

(4) The interest on accrued restructuring liabilities due to related parties is charged to restructuring charges.

Details of the accrued restructuring awards granted in fiscal 2009, as at February 28, 2014, are set out below. Certain of these amounts remain subject to final determination in the ongoing CCAA Claims proceedings.

		Accrued restructuring liabilities due to related parties						
UBS	**SAR units relinquished**	**Equity accrual**	**Bonus accrual**	**Accrued interest**	**Awards declined / reversed**	**Awards paid**	**Accrued claims**	**Balance as at February 28, 2014**
Jolian Parties	3,000	$ 600	$1,200	$ 199	$ 1,999	$ -	$ 2,853	$ 2,853
Dolgonos Parties	3,000	330	1,200	125	1,655	-	500	500
D. Reeson	1,650	465	-	64	-	-	-	529
Former UBS directors and CFO – settled	3,150	915	1,000	54	1,770	199	-	-
TOTAL	**10,800**	**$ 2,310**	**$3,400**	**$ 442**	**$ 5,424**	**$ 199**	**$ 3,353**	**$ 3,882**

(b) CEO termination clause

On January 3, 2012, 2064818 acquired additional shares with the effect of increasing the indirect holdings of UBS over which Mr. Dolgonos exercised control and direction to greater than 20%. This triggered a “deemed” termination clause in the current CEO’s employment agreement, triggering a lump sum payment of $200 in lieu of notice of termination and has been recorded in accrued liabilities.

(c) Compensation of key management personnel

The Company's key management personnel include members of the executive team and the board of directors of the Company and its wholly owned subsidiaries.

Key management compensation for the three and six months ended February 28, 2014 totaled $49 and $97 respectively (February 28, 2013 – $70 and $136 respectively) which includes $27 and $53 respectively paid to directors (February 28, 2013 – $27 and $53 respectively).

13. PROVISIONS AND CONTINGENCIES

(a) Provisions

<u>Leased premises</u>

On May 24, 2011, UBS settled the action that was brought against UBS in respect of certain repairs to premises under a lease entered into by UBS in 1999. Under the terms of the settlement, $150 remains payable by UBS, and is subject to the claims process to be determined under CCAA.

(b) Contingencies

<u>Jolian claims</u>

On July 12, 2010, Jolian served a statement of claim on UBS seeking approximately $8,610 plus applicable taxes and interest in respect of the Jolian management services agreement with UBS and certain contingent payments approved by the previous directors in 2009. Subsequent to UBS commencing proceedings in the CCAA, the Jolian Parties submitted three proofs of claim against UBS totaling approximately $9,500 plus indemnity in respect of professional fees incurred in pursuing their claims. These claims were disputed in the CCAA proceedings and a process was put in place to determine the validity and quantum of the Jolian Claims.

An appeal in the Ontario Superior Court of Justice of the denial of the Jolian Claims against UBS was completed on March 1, 2013. On May 21, 2013, the Honourable Madam Justice Mesbur released Reasons for Decision, as outlined in "Overview – Appeal and cross-appeal of Madam Justice Mesbur Decision".

Based on these findings, Her Honour (i) disallowed the Jolian Parties' claim for payment in respect of the cancellation of the Company's share appreciation rights plan, resulting in a reversal of $600 plus $66 in accrued interest; (ii) disallowed the Jolian Parties' claim for payment of a deferred bonus, resulting in a reversal of $1,200 plus $133 in accrued interest; (iii) disallowed the Jolian Parties' claim for indemnification, resulting in a reversal of $551 to general and administrative; and (iv) ordered the Jolian Parties to repay UBS the $200 previously advanced to them in the nature of indemnification.

Notwithstanding Madam Justice Mesbur's findings of wrongdoing on the part of the Jolian Parties, including breach of fiduciary duty, she found that, pursuant to its services agreement with UBS, Jolian was entitled to an enhanced severance and asked that Jolian file a revised proof of claim in this respect. The Company's initial estimate of this amount, having regard to her Honour's decision, is approximately $2,853. Jolian's revised proof of claim is in excess of $4,000.

On October 31, 2013, the Honourable Mr. Justice Doherty of the Ontario Court of Appeal granted leave to the Company to appeal the Judgment of the Honourable Madam Justice Mesbur, in which she found that Jolian was entitled to an enhanced severance as a result of the termination of its contract with UBS.

The Jolian Parties subsequently brought a cross-appeal as to decisions of the Honourable Madam Justice Mesbur.

The appeal and cross-appeal are scheduled to be heard on October 15, 2014. This hearing will ultimately determine the validity and quantum of the Jolian Parties claims.

Reeson claims

Former director, Mr. Douglas Reeson, served a statement of claim on UBS seeking approximately $465 plus interest in respect of the contingent award approved and allocated to him by the previous directors of UBS during fiscal 2009 (the "Reeson Claims"). Subsequent to the commencement of the CCAA claims process, the Monitor received proofs of claims from Mr. Reeson, totaling $585.

The Reeson Claims continue to be disputed and will be determined in the CCAA claims proceedings.

Dolgonos Parties claims

On July 6, 2012, the Dolgonos Parties claims of approximately $8,000 were settled for a claim of $500, the payment of which will be determined in the CCAA proceedings.

CCAA

On July 5, 2011, the Ontario Superior Court made an Order under the CCAA and a subsequent Order on August 4, 2011 which, amongst other things, provided for a comprehensive stay of proceedings against UBS and that all disputed claims are to be determined in the CCAA proceedings.

Reference is made to the website of the Court Appointed Monitor supervising the CCAA proceedings www.duffandphelps.com (see "restructuring cases").

In the normal course of its operations, the Company may be subject to other litigation and claims.

The Company indemnifies its directors, officers, consultants, and employees against claims and costs reasonably incurred and resulting from the performance of their services to the Company, and maintains liability insurance for its directors and officers.

14. OPERATING RISKS AND UNCERTAINTIES

Management of capital

The Company determines capital to include shareholders' equity. While the Company remains under CCAA, the Company's overall strategy with respect to management of capital is to hold low-risk highly-liquid cash accounts and short-term investments.

The Company currently does not use other sources of financing that require fixed payments of interest and principal due to the lack of cash flow from current operations and is not subject to any externally imposed capital requirements.

The Company invests its capital in short-term investments to obtain adequate cash returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns of unused capital.

Financial instruments and risk management

The Company's activities may expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate and equity price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee, under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The Company's maximum exposure to credit risk, at the end of the reporting period under its financial instruments, is summarized as follows:

Accounts and other receivables	February 28, 2014	August 31, 2013
Currently due	**$ 28**	$ 17
Past due by 90 days or less and not impaired	**-**	200
Past due by greater than 90 days and not impaired	**200**	-
	$ 228	**$ 217**

Interest rate risk

The Company had no significant exposure to interest rate risk through its financial instruments as at February 28, 2014 and August 31, 2013.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements. The Company coordinates this planning and budgeting process with its financing activities through the capital management process described in the section entitled “Operating risks and uncertainties – Management of capital”, in normal circumstances.

The Company’s financial liabilities are comprised of its accounts payable, accrued liabilities, and accrued restructuring liabilities due to related parties the contractual maturities of which are not determinable because it depends on the outcome of the CCAA claims process.

Other price risk

The Company is exposed to other price risk on its investment in equities quoted in an active market since changes in market prices could result in changes in the fair value of the investment.

15. ADDITIONAL INFORMATION

Additional information regarding the Company’s financial statements and corporate documents is available on SEDAR at www.sedar.com.

UNIQUE BROADBAND SYSTEMS, INC.
Shareholder Information

Board of Directors

Kenneth Taylor
Robert Ulicki (Chairman of the Board)
Victor Wells (Acting Chief Financial Officer)

Officer

Grant McCutcheon
Chief Executive Officer

Auditors

Grant Thornton LLP
Royal Bank Plaza
19th Floor, South Tower
200 Bay Street
Toronto, Ontario
M5J 2P9

Shareholder inquiries

UBS Investor Relations
PO Box 10, Station Main
Keswick, Ontario
L4P 3E1
email: irinfo@uniquebroadband.com

Transfer agent

Equity Transfer & Trust Company
200 University Avenue, Suite 400
Toronto, Ontario
M5H 4H1
Tel: (416) 361-0152
Fax: (416) 361-0470
email: irinfo@equitytransfer.com

Common shares

The common shares of the Company are listed on the TSX Venture Exchange under the symbol UBS.